

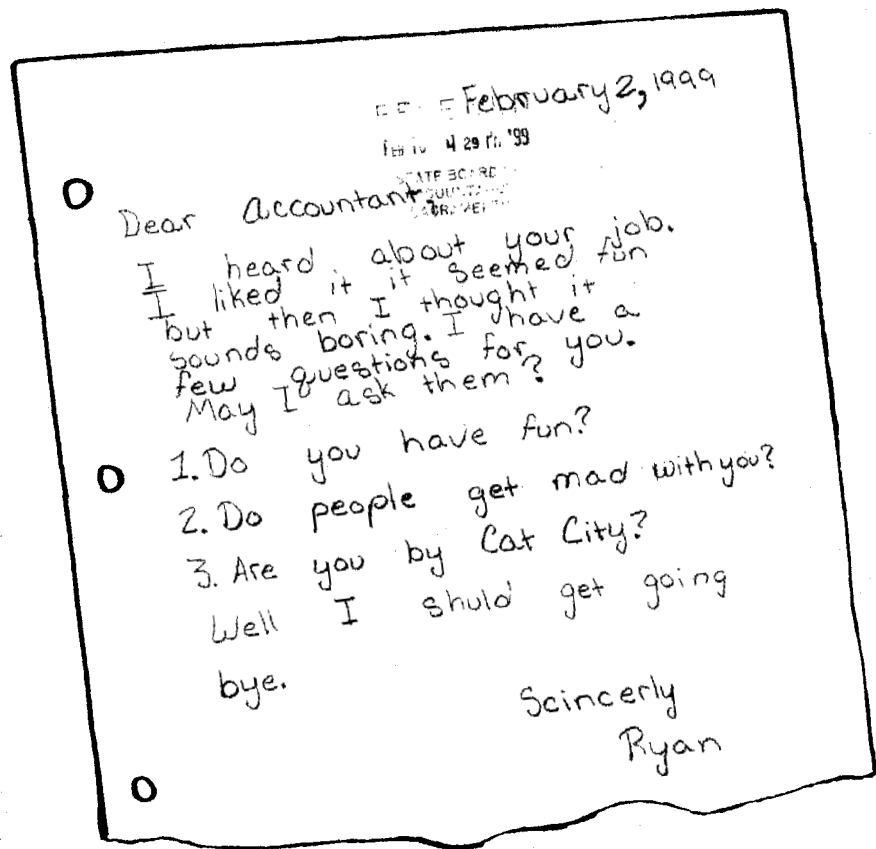
California Board of Accountancy

We Get Letters

Every week, we receive dozens of letters here at the Board. Some are from licensees, some are from exam applicants, and some are from consumers. We even hear from students once in a while.

Earlier in 1999, we heard from a student named Ryan who lives in Cathedral City and attends Cathedral

City Elementary School. He wanted to know about accountants and what we do here at the Board. As part of fulfilling our consumer service goals, we wanted to share Ryan's letter and the response he received from our staff. We hope you'll find this correspondence as interesting as we did.



Dear Ryan:

Thank you for your letter. You sound like a very smart young man. I'm glad that you want to know more about Accountants.

Being an Accountant may not be as exciting as being a Fireman or Astronaut; however, you do get to meet a lot of interesting people and help them with their business problems.

Mission Statement

The mission of the California Board of Accountancy is to protect the public welfare by ensuring that only qualified persons are licensed and that appropriate standards of competency and practice are established and enforced.

Vision Statement

It is the vision of the California Board of Accountancy to become the premier regulatory agency that operates with maximum efficiency, fosters continuous quality improvement, and provides exemplary consumer protection while recognizing the changing consumer demographics and nature of services provided by licensed professionals.

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We Get Letters (continued from page 1)

An Accountant is really a problem-solver. People will come to an Accountant looking for help with income taxes, or maybe they want to borrow money from a bank, and they want to show the bank that they can be responsible with money. The Accountant can do these things by making reports that the person can give to the tax collectors, or the banks, or other people that they do business with.

You asked some really great questions, such as:

1. Do I have fun?

Yes, I have lots of fun doing my job because I really enjoy helping people find answers to their problems.

2. Do people get mad at me?

Sometimes people get mad at me, but that's usually because they don't understand that I'm trying to help them with their problems.

3. Am I by Cathedral City?

My job takes me all over the place. My main office is in Sacramento, the home of our State Government. I've been to Cathedral City a couple of times. I think you live in a really nice town.

When you get older and go to college, you may want to study accounting to see if you really like it. If you graduate from college with a diploma in accounting, you will have a good education, and you will be able to do a lot of different business jobs.

I work for our State Government. I investigate problems people have with their Accountants. With this job, I can help people who feel like their Accountant has done something wrong, and I can also help Accountants do a better job.

I enjoyed getting your letter and writing back to you. Feel free to write to me any time that you have questions.

Sincerely,



Stephen E. DeRose
Investigative CPA

President's Message



H. E. Mikkelsen, CPA
Immediate Past President

As we embark upon the year 2000, I would like to thank my fellow Board members, the committee members, and the hard-working staff of the Board for all of their contributions in making 1999 an especially productive year.

As you've read in the several past issues of *Update*, our Web site has grown tremendously in value to consumers, licensees, and exam candidates. We are in the midst of preparing a second Sunset Review Report. In addition, a Peer Review/Attest Firm Task Force has been established to address issues related to implementing the Uniform Accounting Act approach to attest firm and peer review requirements. We will keep you informed of the Task Force's work and recommendations as this group progresses throughout 2000.

We also have made significant progress in reducing the Accountancy Fund reserve to a three-month level of expenditures. The article below explains the proposed licensure fee increase from \$50 to \$140, now that we are achieving equilibrium

between revenues and expenditures.

While my term as President has ended, I will continue to serve as a Board member. Although I know the new year and this new century will certainly bring us significant regulatory challenges, I am confident that we will continue to meet our consumer protection mandate through our commitment to maximum efficiency and continuous quality improvement.

H. E. Mikkelsen, CPA
Immediate Past President

Licensing Fee to Increase

The Board's strategy to effect a reduction in the Accountancy Fund reserve through temporarily lowering initial permit and biennial renewal fees was initiated in April 1995, and it has now been in effect for more than four years.

Since the beginning of 1995, these fees were first lowered from \$200 to \$175, reduced again in 1996 to \$100, and finally cut one more time in 1998 to the current \$50 level.

This strategy has been very effective, and for some period of time, fees collected by the Board have been under-generating revenues compared to expenditures. The Accountancy Fund reserve has now been brought closer to mandated levels, and it is now necessary to strive for a balance between revenues and expenditures. At the November 1999 Board meeting the Board was presented with projected five-year Accountancy Fund reserve levels based on a number of hypothetical fee scenarios. Following a discussion of resultant reserve outcomes — based on various fee strategies — the Board voted to establish a \$140 initial permit and renewal fee effective July 1, 2000.

In addition, the Board voted to increase individual license issuance fees to comply with laws mandating that the revenues generated by licensing issuance fees be sufficient to cover the Board's estimated administrative cost of performing licensure functions.

Please see page 12 of this issue for the text of proposed regulations to change the initial permit and biennial renewal fees from \$50 to \$140 effective July 1, 2000. ♦

Issues of Interest

to the Consumer and the Practitioner

News to You

Renewal Fee Changes

Effective July 1, 2000, the biennial license renewal fee will be increased to \$140. The increase was approved by the Board at its November 19, 1999, meeting. After more than four years of lowered fees, this change is necessary to stabilize the Board's reserve at an amount equivalent to approximately three months of annual authorized expenditures, as required by law. For more information on this subject, see the article on page 3 and the regulation notice to implement the increase on page 12.

Election of Officers

The Board has new officers, elected at its November 19, 1999, meeting. Baxter Rice was elected President; he is a public member appointed by the Speaker of the Assembly and the first nonlicensee ever to serve as Board President. Donna McCluskey, CPA, was elected Vice President. Michael Schneider, CPA, will continue to serve as Secretary-Treasurer of the Board.

Task Force on Peer Review

The Board has formed a new task force to discuss establishing a peer review requirement for licensees who offer attest services. This is part of the Board's general consideration of issues related to the Uniform Accountancy Act.

The six-person Peer Review/Attest Firm Task Force is composed of members from the Board, the Qualifications Committee, and the Report Quality Monitoring Committee. It held its first meeting on November 10, 1999. Additional meetings are scheduled for January 10 and February 23, 2000.

November 1999 CPA Examination

The Uniform CPA Examination was held November 3 and 4, 1999, in Pleasanton, Pomona, Sacramento, and San Diego. While 10,035 candidates were scheduled to take the exam, 18 percent were "no-shows," and 8,262 candidates actually sat. California also proctored 162 candidates from other states, and 88 California candidates were scheduled to take the exam in other states.

During the last week of August 1999, this Board made the examination application available for candidates to apply online. During the one-week pilot project,

more than 300 candidates applied via the Internet. For the May 2000 Uniform CPA Examination, candidates will be able to apply online at www.dca.ca.gov/cba when applications are available.

The online and paper applications for examination applicants will be available during the month of January for applicants who have not previously sat for the examination in California.

Changes in Examination Sites

November 1999 was the last date candidates could take the Uniform CPA Examination in San Diego. Beginning in May 2000, the examination will be given in only three California locations: Pomona, Pleasanton, and Sacramento.

*Contributors
to this Edition
of Update*

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Planned Changes to Continuing Education Requirements

As part of its plan to change some of its continuing education requirements, the Board held a regulation hearing at its November 1999 meeting to consider proposed amendments to regulations related to acceptable continuing education. The notice and proposed text of Sections 88.1, 88.2, 87, 87.1, 87.7, 88, and 89 of the California Code of Regulations were printed in *Update* Issue No. 43.

The reasons for the proposed changes are to more clearly specify continuing education requirements, increase the internal consistency of the Board's regulations, and make the Board's regulations more consistent with the American Institute of Certified Public Accountants Statement on Standards for CPE Programs.

Some of the significant proposed changes include:

- The required completion of a minimum of 50 percent of continuing education hours claimed for license renewal in subject areas such as accounting, auditing, and taxation.
- A 50 percent cap on continuing education hours claimed for license renewal in subject areas such as communication skills, word processing, and motivational techniques.
- The disallowance of continuing education hours claimed for license renewal in subject areas such as personal growth, self-realization, personal health and/or fitness, and other subject areas which will not contribute directly to the professional competence of the licensee.
- The disallowance of continuing education hours claimed by an instructor for repeat presentations, unless the instructor can demonstrate the program content was substantially changed and that such change required significant additional study or research.
- For continuing education programs longer than one 50-minute class hour, the allowance of 25-minute segments to be combined to calculate the continuing education hours claimed for license renewal.

While it is projected that these requirements will become effective in early 2000, the 50 percent minimum and the cap on continuing education will apply to license renewals after July 1, 2001.

Watch future issues of *Update* for more information on planned changes to continuing education requirements, or check the Board's Web site at www.dca.ca.gov/cba. ♦

Policy of Nondiscrimination on the Basis of Disability and Equal Employment Opportunity

The California Board of Accountancy does not discriminate on the basis of disability in employment or in the admission and access to its programs and activities.

An Americans with Disabilities Act (ADA) coordinator has been designated to coordinate and carry out this agency's compliance with the nondiscrimination requirements of Title II of the ADA. Information concerning the provisions of the ADA, and the rights provided thereunder, is available from:

ADA Coordinator
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, California 95815-3832

Examination Procedural Changes

Beginning in May 2000, significant changes will affect California CPA Examination applicants.

Applying Online for the CPA Examination

The Board of Accountancy has made it possible for all applicants to apply for the examination via the Internet. Those applicants who have online access and an e-mail account will be able to apply at www.dca.ca.gov/cba. Once the application has been submitted, applicants can print out the remittance forms and submit the appropriate fees. The remittance form and fees must be postmarked on or before the final filing date.

Applicants can fill in and submit the form online, then print a confirmation page to be mailed along with their payments and any required attachments. Official transcripts mailed directly to the Board from the institution, foreign evaluations mailed directly to the Board from the approved evaluation service, if applicable, and appropriate fees, must be postmarked on or before the final filing date. If transcripts, foreign evaluations, or fees are postmarked after the final filing date, the application will be rejected.

From the online application, the information is routed directly into the new Examination Application Processing System (EAPS) database, enabling the Board to track an examination applicant through the entire

examination process. The Board is pursuing additional functionality, including cashiering information and online credit card acceptance.

Final Filing Dates for CPA Applicants

The final filing date has changed for all applicants who have not previously taken the examination in California. First-time applicants must submit the applications or remittance forms, appropriate fees, and official transcripts or foreign evaluations, if applicable, by February 1 for the May examination and by August 1 for the November examination. For those candidates who have previously sat for the examination in California, the final filing date remains March 1 for the May examination and September 1 for the November examination.

All required documents and fees must be postmarked on or before the final filing date, or the applicant will not be scheduled for the examination.

Applications for the May examination will be available in January for first-time applicants and in February for candidates who have previously sat for the examination in California. Applicants without online access may obtain a paper application by calling (916) 263-3953.

Applications for the November examination will be available in August for first-time applicants and in September for candidates who have previously sat for the examination in California.

No Late Entry Into the Examination

Effective May 2000, the California Board of Accountancy will not allow late candidates to enter the examination. Late slips

no longer will be issued. The schedule for the examination is as follows:

Business Law and
Professional Responsibilities
8:40 a.m.

Auditing
1:10 p.m.

Accounting and Reporting
8:10 a.m.

Financial Accounting and
Reporting
1:10 p.m.

Doors will close at the designated times above. Candidates will not receive refunds for parts missed due to being late.

Official Transcripts and Foreign Evaluations Required

Applicants whose official transcripts and foreign evaluations, if applicable, are not postmarked by the final filing date (unless previously submitted) will not be scheduled for the exam. The transcripts and evaluations must be mailed directly to the Board from the educational institution or Board-approved evaluation service. Transcripts and evaluations will not be accepted if submitted with the application. Once received, official transcripts and foreign evaluations will remain in the applicant's permanent file.

Any questions may be directed to Ms. Liza Walker, Examination Coordinator, at (916) 263-3951. ❖

Understanding Commissions Requirements

Since the new law and regulations related to commissions went into effect in January 1999, the Board has received a number of inquiries regarding the nature of the professional services that must be provided to the client in order for the licensee to earn a commission. This article relates to those inquiries.

Business and Professions Code Section 5061 addresses commissions. Subdivision (b) of Section 5061 provides information about the professional services the licensee must provide. It states:

“(b) A person engaged in the practice of public accountancy who is not performing any of the services set forth in subdivision (c) and who complies with the disclosure requirements of subdivision (d) may accept a fee or commission for providing a client with the products or services of a third party where the products or services of a third party are provided in conjunction with professional services provided to the client by the person engaged in the practice of public accountancy. Nothing in this subdivision shall be construed to permit the solicitation or acceptance of any fee or commission solely for the referral of a client to a third party.”

The nature of the professional service is addressed by Section 56.1 of the Board's regulations, which states:

“56.1. Commissions — Professional Services Provided to the Client.

The professional services which must be provided to the client in conjunction with the products or services of a third party under Business and Professions Code Section 5061(b) shall include consultation with the client regarding the third party's product or service in relation to the client's circumstances.”

To summarize, a California licensee may not accept a referral fee. However, a licensee may earn a commission by providing a nonattest client with a professional service. This must be a substantive service that reflects professional knowledge. The licensee also must meet the Board's disclosure requirements.

What follows are hypothetical examples of different types of services and indications whether the service appears substantive enough for the licensee to earn a commission. These

examples are provided for information only and are not declaratory decisions or formal rulings of the Board.

In these examples, assume that the licensee is providing services for nonattest clients and has complied with the Board's disclosure requirements.

1. CPA Jones has a practice that focuses on tax preparation and tax consulting. His clientele is limited in number (approximately 50) but wealthy. Mr. Jones is familiar with the financial circumstances of each of his client's due to regular consultations on tax planning, estate planning, and tax compliance issues. Can Mr. Jones sell a list of his clients to Noble, a registered investment advisor (RIA), if he notifies his clients in advance and explains how Noble could be of service to their financial needs?

No. *This would equate to a prohibited referral fee because the required professional services and consultation with the client would be absent.*

2. CPA Smith receives a phone call from Jim, a tax client. Jim has just received a \$500,000 check for a distribution from the estate of his mother. Jim asks Mr. Smith if the \$500,000 is subject to income tax and asks for suggestions about what he might do with the money. Mr. Smith responds that the distribution is not subject to income tax, and it would be a good idea for Jim to consult with RIA Noble, who can provide suggestions to Jim about various investment opportunities. Can CPA Smith accept fees and/or commissions from Noble for this transaction?

No. *This would be a prohibited referral fee. If Mr. Smith actually reviewed investment options, the client's risk tolerances, and tax consequences through consultation with his client, he would meet the professional services and consultation requirements. Then, he could accept commissions from Noble. However, these services may require that Mr. Smith be licensed by the California Department of Corporations or the U.S. Securities and Exchange Commission. Also, with Jim's permission, CPA Smith might contact RIA Noble to ensure that Jim's specific investment needs and objectives are adequately communicated.*

3. RIA Noble desires to network with CPAs to access clients with monies to invest in mutual funds, securities, and limited partnerships. Noble

(Please see *Understanding Commissions Requirements*, continued on page 8)

offers to pay CPAs \$100 for every client forwarded by the CPA and 25 percent of all commissions earned the first year. The CPA's only responsibility under the program is to identify the clients who have available money to invest and refer them to Noble for investment advisory services. The CPA would have no responsibility or role in selecting the specific investment products. Can California CPAs become involved in the program and subsequently accept the fees and commissions offered?

No. *Fees of this nature would be unlawful referral fees.*

4. CPA Brown has an accounting practice in Los Angeles with an emphasis on business management and tax compliance for sports celebrities. He becomes familiar with Bill Hack, a sports agent who has been very successful representing the contract concerns of several top athletes. Mr. Hack represents clients similar to Mr. Brown's. Mr. Hack offers Mr. Brown 25 percent of the first five years of earnings that Mr. Hack receives on all new contracts obtained from Mr. Brown's accounting clients. Can Mr. Brown accept fees from Mr. Hack for those clients that he successfully refers to Hack for representation?

No. *Fees of this nature would be unlawful referral fees.*

In evaluating various options, licensees must be aware that there are other agencies that regulate many of the activities in which commissions may be earned. It is necessary to comply with these other regulatory requirements. The Board's Web site at www.dca.ca.gov/cba provides the entire text of Business and Professions Code Section 5061 and the Board's regulations as well as links to Web sites for the California Department of Insurance, the California Department of Corporations, the California Department of Real Estate, the US Securities and Exchange Commission, and the National Association of Securities Dealers. Licensees who are interested in providing services for commission-based compensation are encouraged to review the information on the Board's Web site and its linked sites, and to seek guidance from their own attorneys. The Board does not provide specific information about other agencies' requirements or offer legal advice to licensees. ❖

Future Meetings

January 20-21, 2000

*Sheraton Gateway Hotel
6101 West Century Blvd.
Los Angeles, California 90045*

January 20, 2000

Committee on Professional Conduct,
Sunset Review Committee,
UAAS Task Force, and
Report Quality Monitoring Committee

January 21, 2000

Board

March 25, 2000

*Radisson Miyako Hotel
1625 Post Street
San Francisco, California 94115*

Committee on Professional Conduct,
Sunset Review Committee,
UAA Task Force,
Board

April 26-27, 2000

*Mission Inn
3649 Mission Inn Avenue
Riverside, California 92501*

Qualifications Committee

May 4, 2000

*Sheraton Gateway
6101 West Century Blvd.
Los Angeles, California 90045*

Administrative Committee

May 18-19, 2000

*Mission Inn
3649 Mission Inn Avenue
Riverside, California 92501*

May 18, 2000
Committee on Professional Conduct,
Sunset Review Committee, and
UAA Task Force

May 19, 2000

Board

*Board, committee, and task force meetings are open to the public.
Licensees are encouraged to attend. For further information, please call the Board office at (916) 263-3680.*



California Board of Accountancy

What's New at www.dca.ca.gov/cba for Y2K?

With the new year comes a new look for the Board's Web site. Our goal is to make Board information available on an organized and easy-to-navigate site.

To accomplish this goal, we continually look for ways to minimize the "download time" (the time it takes for a Web page to load into your computer for viewing). Smaller graphics, categorized information, and site-wide navigation buttons are all methods to make your visit a successful one. On your next visit to www.dca.ca.gov/cba, you will see our new look.

As a point of interest, information has been added in the following categories: Initial Licensing Information, Experience Requirements, Education Requirements, Ethics Course Requirements, Fingerprinting Requirements, Transfer Applicant Information, and Initial Licensing Fees. There are

nine licensing forms available online (see the article below). In the following months, be sure to look for Renewal Licensing Information and related forms to be added.

Future plans also include adding the text of the Accountancy Regulations in a format that easily downloads and prints, as well as enhanced *Update* publications to include a "bookmarked" table of contents. This means you'll be able to "click" on the article title, and the article will be loaded onto your screen, making it easier to navigate through our quarterly online publication.

As licensees, we value your input. Please feel free to visit www.dca.ca.gov/cba and send us your comments and suggestions. You may comment on the entire Web site look or an individual page, or make a suggestion about what you would like to see posted in the future. Please send your comments to Ms. Holly Hansen, our Web Page Master, at pagemaster@cba.ca.gov. ❖

Forms Available on the Board's Web Site

Currently, there are 16 forms available through the Board's Web site. All forms are available in Portable Document Format (PDF); this means they can be both viewed and printed. Viewing a PDF form requires the installation of Adobe Reader, free software available through our Web site.

In the coming months, we will work to make many of these forms fully interactive so they can be viewed, completed, and directly submitted to the Board online.

Each issue of *Update* will now include a table showing the forms available on the Board's Web site for your reference. Here is our current list:

Form Name	Format	Form Name	Format
Of Importance to the Consumer		Of Importance to the Licensee	
Complaint Regarding Licensee	PDF	Change of Address	Enhanced PDF
Complaint Regarding Board	PDF		
Of Importance to the Exam Applicant		Of Importance to the Licensing Applicant	
Online Exam Application	Interactive	Check Sheet	PDF
Out-of-State Form	Enhanced PDF	Application and Instructions	Enhanced PDF
Request for Accommodations	PDF	Criminal Conviction Disclosure	PDF
Change of Site Request	Enhanced PDF	Certification of Grades	Enhanced PDF
Applicant Address/Name Change	Enhanced PDF	Waiver of Practice Rights	PDF
		Continuing Education Reporting	PDF
		Certificate of Experience	PDF
		Fingerprinting Packet Request	Enhanced PDF

Meeting your PC&E Course Requirement

Since January 1, 1998, Professional Conduct and Ethics (PC&E) continuing education has been required for all active license renewals. This eight-hour course provides information on the provisions of the current Accountancy Act, the Board of Accountancy regulations, and other rules of professional conduct.

The PC&E requirement is being phased in over a six-year period. According to the timetable, one-third of the licensee population will meet the requirement in a specified two-year period, based on the last two digits of the CPA/PA license number.

- Practitioners whose license numbers end in the "01-33" range must have completed the initial PC&E course by their license renewal dates in 1998 or 1999, as applicable.
- Those whose license numbers end in the "34-66" range must meet the PC&E requirement by their license renewal dates in 2000 or 2001, as applicable.
- Licensees whose license numbers end in the "67-00" range must meet the PC&E requirement by their license renewal dates in 2002 or 2003, as applicable.

Please remember that only Board-approved courses satisfy the requirement.

A current list of Board-approved courses is available on the Board's Web site at www.dca.ca.gov/cba. This list is also available by faxing a request to (916) 263-3672 or by telephoning Ms. Solé Cunningham of the Board's staff at (916) 263-3935. ❖

Report Quality Monitoring Committee Appointment Opportunities

After undergoing the annual committee appointment recruitment process, the Board continues to have vacancies in one of its advisory committees: the Report Quality Monitoring Committee (RQMC). Therefore, the Board is seeking licensees of diversified backgrounds who have both the interest and the time to serve. Becoming a committee member is an opportunity to participate actively in the regulation of the accountancy profession and to bring new ideas to the Board; your participation benefits both the consumer public and the profession.

The RQMC monitors and promotes professional competence by selectively reviewing licensees' compliance with accepted reporting and accounting standards, thereby protecting the public interest. This committee requests and evaluates financial reports from a random sample of licensees and, when financial reports are below an acceptable rating, it recommends appropriate education to licensees. The committee meets for one day, 10 to 12 times annually.

The RQMC is composed of licensed professionals who:

- Possess expertise in reporting standards and generally accepted accounting principles, as validated by a review of one of their reports.
- Represent the special knowledge necessary to review the variety of reports that are submitted for review.
- Represent both large and small firms, to provide a broad spectrum of experience.

It is requested, but not required, that licensees have spent a minimum of five years in practice and are at least at a manager or supervisor level. Licensees interested in applying to the Report Quality Monitoring Committee are requested to submit a letter of intent and a resumé or curriculum vitae including the CPA license number to:

Carol Sigmann, Executive Officer
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

Applicants with questions about committee responsibilities or the appointment process may telephone Ms. Theresa Siepert of the Board staff at (916) 263-3979 or e-mail her at tsiepert@cba.ca.gov. ❖

Committee Member Appointments

The Board is pleased to announce that the following licensees were either reappointed or newly appointed to serve on the Board's committees for the year 2000. Appointments were announced at the Board's regularly-scheduled meeting on November 19, 1999, in San Francisco, California.

Administrative Committee

Olaf Falkenhagen, CPA, Chair
Willard Altman, CPA, Vice Chair
Curt Eakin, CPA
David R. Flamer, CPA
Barry A. Franzen, CPA
Richard Kaufman, CPA
Patricia A. O'Neill, CPA
Jessie C. Powell, CPA
Felipe L. Quezada, CPA
Robert M. Renaud, CPA
Mathew Rodgers, PA
Susan Shuirman, CPA
Dawn E. Struck-Rau, CPA

Qualifications Committee

Paul Koreneff, CPA, Chair
Vacant, Vice Chair
Scott D. Appel, CPA
Gary J. Bong, CPA
Sefton Boyars, CPA
Roger Bulosan, CPA
Kristine Caratan, CPA
Nancy J. Corrigan, CPA
Waldemar Faimann, CPA
David M. Graham, CPA
Thomas Hunt, CPA
Hamid Kabani, CPA
Richard K. Kikuchi, CPA
Stephen L. Larson, CPA
Cheryl A. MacLellan, CPA
Alice Norwood, CPA
Robert C. Province, CPA
Janet Rosman, CPA
Terri Aja Webster, CPA
Michael L. Williams, CPA
Sheryl M. Yardumian, CPA

Report Quality Monitoring Committee

Michael D. Feinstein, CPA, Chair
Arthur Korn, CPA, Vice Chair
James Babcock, CPA
Ed Beranek, CPA
Joseph C. Bunker, CPA
Marlyn C. Catalano, CPA
Maurice J. Eckley, Jr., CPA
Robert L. Eichel, CPA
Karl Gunther, CPA
James M. Kasim, CPA
Andy Mintzer, CPA
Gary O'Krent, CPA
Federico Quinto, Jr., CPA
Anne V. Renna, CPA
Joanne M. Riester, CPA
Thomas Seymour, CPA
Donald J. Snyder, CPA
Arnold L. Stengel, CPA
Robert W. Williams, Jr., CPA
William L. Woodward, CPA

There are still vacancies on the Report Quality Monitoring Committee (RQMC). Please see the article on the opposite page regarding member requirements, time commitment, and the application process to become an RQMC member. ❖

Information

Each issue of *Update* contains important information about the public accounting profession, including notices of proposed hearings on regulation changes, Board and committee meetings, proposed new regulatory language, and topical information about enforcement, examination, licensure, and continuing education issues. For ease of reference, we suggest that after you receive and read *Update*, you place these issues in your professional library. For your convenience, all issues of *Update* since 1998 are also posted on our Web site at www.dca.ca.gov/cba.

Regulation Notice

TITLE 16. BOARD OF ACCOUNTANCY

NOTICE IS HEREBY GIVEN that the Board of Accountancy is proposing to take the action described in the Informative Digest. Any interested person may present statements or arguments orally or in writing relevant to the action proposed at a hearing to be held at the Radisson Miyako Hotel, 1625 Post Street, San Francisco, CA on March 25, 2000, at 2:30 p.m. Written comments must be received by the Board at its office no later than 5:00 p.m. on March 24, 2000, or must be received by the Board at the hearing. If submitted at the hearing, it is requested, although not required, that 20 copies be made available for distribution to Board members and staff. The Board, upon its own motion or at the instance of any interested party, may thereafter adopt the proposal substantially as described below or may modify the proposal if the modifications are sufficiently related to the original text. With the exception of technical or grammatical changes, for 15 days prior to its adoption, the full text of any modified proposal will be available from the person designated in this notice as the contact person and will be mailed to those persons who submit written or oral testimony related to this proposal or who have requested notification of any changes in the proposal.

Authority and Reference: Pursuant to the authority vested by Business and Professions Code Sections 5010 and 5018 and to implement, interpret, or make specific Sections 122, 163, and 5134 of the Business and Professions Code and, the Board of Accountancy is considering changes to Division 1 of Title 16 of the California Code of Regulations as follows:

INFORMATIVE DIGEST/PLAIN ENGLISH POLICY STATEMENT OVERVIEW

Amend Section 70 of Division 1 of Title 16 of the California Code of Regulations.

Section 5010 of the Business and Professions Code authorizes the Board of Accountancy to adopt regulations for the orderly administration of the Accountancy Act. Section 5134 specifies the maximum fees that may be charged by the Board and requires that the fees for certain activities including issuing the Certified Public Accountant certificate be fixed by the Board in such a manner as to recover the actual costs of providing the services. In addition, Section 5134 requires that the Board fix the renewal fee so that the Board maintains a reserve equivalent to approximately three months of annual authorized expenditures.

Currently, Section 70 provides that the fee to be charged each applicant for issuance of the certified public accountant certificate shall be \$200. This proposal would increase this fee to \$250. The objective is to fix the fee at an amount equal to the estimated administrative cost of issuing the certificate in conformance with Section 5134.

Currently, Section 70 provides that the fee to be charged each applicant for the initial permit to practice or renewal of the permit to practice shall be \$50 and shall increase to \$200 commencing July 1, 2000. This proposal would revise Section 70 to fix these fees at \$140 until July 1, 2004, at which time these fees would increase to \$200. The objective of this proposal is to stabilize the Board's reserve at an amount equivalent to approximately three months of annual authorized expenditures in conformance with Section 5134.

FISCAL IMPACT ESTIMATES

- Fiscal Impact on Public Agencies Including Costs or Savings to State Agencies or Costs/Savings in Federal Funding to the State: This proposal will modify some Board of Accountancy fees in an effort to stabilize revenues in conformance with Business and Professions Code Section 5134.
- Nondiscretionary Costs/Savings to Local Agencies: None.
- Local Mandate: None.
- Cost to Any Local Agency or School District: None.
- Business Impact: The Board of Accountancy has determined that the proposed regulatory action would have no significant adverse economic impact on California business enterprises and individuals, including the ability of California businesses to compete with businesses in other states.
- Impact on Jobs/New Businesses: The Board of Accountancy has determined that this regulatory proposal will not have a significant impact on the creation or elimination of jobs within the state of California, the creation of new businesses or the elimination of existing businesses within the state of California, or the expansion of businesses currently doing business within the state of California.
- Cost Impact on Private Persons or Entities: Insignificant.
- Housing Costs: None.

(Please see Regulation Notice, continued on page 13)

PLAIN ENGLISH REQUIREMENT

The Board of Accountancy has determined that the proposed regulations would affect small businesses. The express terms of the proposed action written in plain English are available from the agency contact person named in this notice.

CONSIDERATION OF ALTERNATIVES

The Board must determine that no alternative which it considered would either be more effective than or as effective as and less burdensome on affected private persons than the proposal described in this notice.

Any interested person may present statements or arguments orally or in writing relevant to the above determinations at the above-mentioned hearing.

STATEMENT OF REASONS AND INFORMATION

The Board has prepared a statement of reasons for the proposed action and has available all the information upon which the proposal is based.

TEXT OF PROPOSAL

Copies of the exact language of the proposed regulations and of the statement of reasons and other information, if any, may be obtained at the hearing or, prior to the hearing, upon request from the Regulations Coordinator, Board of Accountancy, 2000 Evergreen Street, Suite 250, Sacramento, California 95815.

CONTACT PERSON

Inquiries concerning the proposed administrative action may be addressed to Aronna Granick, Regulations Coordinator, at the above address, or by telephone at (916) 263-3788.

Section 70. Fees.

(a) The fees to be charged each applicant for the certified public accountant examination, including each applicant for re-examination, shall be an application fee of \$60 and a fee of \$25 for each part of the examination requested by the applicant. An additional processing fee of \$60 shall be charged each applicant for the certified public accountant examination who sits for the examination in another state.

(b) Commencing July 1, 2000, the The fee to be charged each applicant for issuance of a certified public accountant certificate shall be ~~\$200~~ \$250.

(c) The fee to be charged each applicant for registration, including applicant for registration under a new name as a partnership or as a corporation, shall be \$150.

(d)(1) Commencing August 3, 1998 July 1, 2000, the fee to be charged each applicant for the initial permit to practice as a partnership, a corporation, or a certified public accountant shall be ~~\$50~~ \$140.

(2) Commencing July 1, ~~2000~~ 2004, the fee to be charged each applicant for the initial permit to practice as a partnership, a corporation, or a certified public accountant shall be \$200 unless subsection (h) applies.

(e)(1) Commencing August 3, 1998 July 1, 2000, the fee to be charged each applicant for renewal of a permit to practice as a partnership, a corporation, a public accountant, or a certified public accountant shall be ~~\$50~~ \$140.

(2) Commencing July 1, ~~2000~~ 2004, the fee to be charged each applicant for renewal of a permit to practice as a partnership, a corporation, a public accountant, or a certified public accountant shall be \$200 unless subsection (h) applies.

(f) The fee for the processing and issuance of a duplicate copy of a certificate of licensure or registration shall be \$10.

(g) The fee for processing and issuance of a duplicate copy of a registration, or permit or other form evidencing licensure or renewal of licensure shall be \$2.

(h) By January 30, ~~2000~~ 2004, the Board shall conduct a review of its actual and estimated costs. Based on this review, the Board shall determine the appropriate level of fees for the initial permit to practice pursuant to subsection (d) and renewal of the permit to practice pursuant to subsection (e) in order to maintain the Board's contingent fund reserve balance at an amount equal to approximately three months of annual authorized expenditures. If the Board determines that fees of less than \$200 are indicated, the Board shall fix the fees by regulation at the indicated amounts by July 1, ~~2000~~ 2004.

Note: Authority cited: Sections 5010 and 5018, Business and Professions Code. Reference: Sections 122, 163 and 5134, Business and Professions Code. ❖

Disciplinary Actions and Standard Probationary Terms

When the Board receives a complaint, an investigation is conducted. Information regarding a complaint generally is gathered by staff Investigative CPAs, often accompanied by a licensee's appearance before the Board's Administrative Committee. In some cases, information is gathered by the Department of Consumer Affairs Division of Investigation. Following this investigation, or for other reasons, a recommendation is made either to close the case for lack of evidence, or to refer the matter to the Attorney General for review and possible preparation of an accusation against the licensee or a statement of issues relating to the applicant.

The Board may revoke, suspend, or impose probation on a license for violation of applicable statutes or regulations. In addition to any case-specific terms of probation, the standard probationary terms include:

- Obey all federal, California, other state, and local laws, including those rules relating to the practice of public accountancy in California.
- Submit within 10 days of completion of the quarter, written reports to the Board on a form obtained from the Board. The respondent shall submit, under penalty of perjury, such other written reports, declarations, and verification of actions as are required. These declarations shall contain statements relative to respondent's compliance with all the terms and conditions of probation. Respondent shall immediately execute all release of information forms as may be required by the Board or its representatives.
- During the period of probation, appear in person at interviews or meetings as directed by the Board or its designated representative, provided such notification is accomplished in a timely manner.
- Comply with the terms and conditions of the probation imposed by the Board and cooperate fully with representatives of the Board in its monitoring and investigation of the respondent's compliance with probation terms and conditions.
- Be subject to, and permit a "practice investigation" of, the respondent's professional practice. Such a "practice investigation" shall be conducted by representatives of the Board, provided notification of such review is accomplished in a timely manner.
- Comply with all final orders resulting from citations issued by the California Board of Accountancy.
- In the event respondent should leave California to reside or practice outside this state, respondent must notify the Board in writing of the dates of departure and return. Periods of non-California residency or practice outside the state shall not apply to reduction of the probationary period, or of any suspension. No obligation imposed herein, including requirements to file written reports, reimburse the Board costs, or make restitution to consumers, shall be suspended or otherwise affected by such periods of out-of-state residency or practice, except at the written direction of the Board.
- If respondent violates probation in any respect, the Board, after giving respondent notice and an opportunity to be heard, may revoke probation and carry out the disciplinary order that was stayed. If an accusation or a petition to revoke probation is filed against respondent during probation, the Board shall have continuing jurisdiction until the matter is final, and the period of probation shall be extended until the matter is final.
- Upon successful completion of probation, respondent's license will be fully restored.

If charges are filed against a licensee, a hearing may be held before an independent administrative law judge who submits a proposed decision to be considered by the Board of Accountancy, or the matter may be settled. The Board may either accept the proposed decision or decide the matter itself.

Copies of the accusations, decisions, and settlements regarding any of these disciplinary actions are available by sending a written request to: California Board of Accountancy, Attention: Disciplinary Actions, 2000 Evergreen Street, Suite 250, Sacramento, CA 95815-3832. Please state the licensee's name and license number, and allow approximately three weeks for each request.

Disciplinary Board Actions as of 10/22/99

Revocation of CPA Certificate

Name	Cause for Discipline	Code Violation(s) Charged
NIETZEL, PAUL EDMOND Omaha, Nebraska (CPA 67855) Revocation of CPA Certificate, via stipulated settlement. Effective October 22, 1999	<p>Respondent admits that he subjected his license to disciplinary action on August 12, 1998. The United States Securities and Exchange Commission (SEC) issued an order which denied Mr. Nietzel the privilege of appearing or practicing before the SEC as an accountant.</p> <p>Respondent admits that in 1994 and 1995, in connection with an initial public offering, he falsely labeled portfolio schedules, created false working papers, and impersonated an investor in a due diligence telephone interview conducted by a brokerage firm.</p>	Business and Professions Code, Division 3, Chapter 1, § 5100 (i) and (g).
WHITE, SAM L. La Canada, CA (CPA 40967) Revocation of CPA Certificate, via stipulated settlement. Effective October 22, 1999	<p>Respondent admits that he was convicted of crimes substantially related to the qualifications, functions, and duties of a Certified Public Accountant and agrees to the revocation of his CPA certificate. Respondent was convicted by jury trial in the federal district court on July 18, 1998, of conspiracy, securities fraud, and bank fraud. The convictions on all counts except conspiracy were affirmed with the United States Court of Appeals, 2nd Circuit of New York.</p> <p>Respondent admits that from February 1992 through 1995, while employed as a tax partner at Deloitte & Touche, LLP, Los Angeles, he and a nonlicensee, Christopher Bagdasarian, defrauded potential investors, commercial banks and underwriting institutions in the amount of \$24.55 million. Mr. White and Mr. Bagdasarian prepared and presented false financial statements, net worth statements, and attestation letters regarding Mr. Bagdasarian's ownership of securities, investment performance, and net worth. The false information was prepared in connection with an initial public offering of securities by Mr. Bagdasarian's company, Normandy America.</p>	Business and Professions Code, Division 3, Chapter 1, §§ 490 and 5100 (a).

Other Board Actions 10/24/99 Through 12/30/99

Name	Cause for Board Action	Code Violation(s) Charged
<p>AWAD, ABDULLA Atlanta, GA (Exam Applicant)</p> <p>Applicant/Respondent will be barred from either applying to sit for the California CPA exam or applying for a California CPA license for a period of one year, beginning the effective date of this order, via decision and order. Effective December 30, 1999</p>	<p>Mr. Awad was charged with exam cheating as a result of an investigation and statistical analysis of his May 1996 CPA examination.</p> <p>Mr. Awad requested that a hearing be set, and a hearing was set; however, Mr. Awad subsequently withdrew his request for a hearing.</p> <p>For purposes of this action, the charge of cheating is deemed true.</p>	<p>Business and Professions Code, Division 3, Chapter 1, §§ 123 (b), 480 (a), 496, 498, 5081 (a), 5100, 5100 (b) and (f).</p>
<p>BEVACQUA, JOSEPH F. Long Beach, CA (CPA 36543)</p> <p>Revocation stayed with three years' probation and one year's suspension, via stipulated settlement. Effective December 30, 1999</p> <p>Respondent agrees to maintain a current and active license to practice including the duration of the suspension period. Respondent agrees to pay to the Board its costs of investigation and prosecution.</p>	<p>Respondent admits the truth of all charges contained in the Board's Accusation.</p> <p>Respondent admits that he agreed through a stipulated settlement to discipline imposed by the Securities and Exchange Commission. Respondent further admits he was barred from practice before the Securities and Exchange Commission.</p> <p>Between 1993 and 1994, Respondent, while acting as an outside consultant, aided and abetted Aura Corporation in the execution of a sham transaction designed to fraudulently enhance Aura's financial statements which were presented for public disclosure. The transaction involved a fictitious sale to a company owned by a friend of Respondent, in the amount of \$1.5 million.</p>	<p>Business and Professions Code, Division 3, Chapter 1, § 5100 (i) and (g).</p>

(Please see Disciplinary Actions,
continued on page 17)

Other Board Actions 10/24/99 Through 12/30/99

Name	Cause for Board Action	Code Violation(s) Charged
<p>CHAN, ROSALIA Monterey Park, CA (Exam Applicant)</p> <p>Applicant/Respondent will be barred from either applying to sit for the California CPA exam or applying for a California CPA license for a period of one year, beginning on the effective date of this order, via decision and order. Effective December 30, 1999</p>	<p>Ms. Chan was charged with exam cheating as a result of an investigation and statistical analysis of her May 1997 CPA examination.</p> <p>Ms. Chan requested that a hearing be set, and a hearing was set; however, Ms. Chan subsequently withdrew her request for a hearing.</p> <p>For purposes of this action, the charge of cheating is deemed true.</p>	<p>Business and Professions Code, Division 3, Chapter 1, §§ 123 (b), 480 (a), 496, 498, 5081 (a), 5100, 5100 (b) and (f).</p>
<p>HIDALGO JR., LUIS R. Fremont, CA (CPA 32754)</p> <p>Revocation stayed with three years' probation and 60 days' suspension, via stipulated decision. Effective October 24, 1999</p> <p>Probation terms include the following: Permanently prohibited from performing audits. Completion of 80 hours of continuing professional education (CPE), 64 hours of which shall be in addition to the normal CPE requirements for relicensing. Completion of a Board-approved ethics course with a minimum score of 90 percent within the first year of probation. Rembursement of the Board's investigative and prosecution costs. Other standard terms and conditions of probation.</p>	<p>Respondent admits that he performed two audits of a company's balance sheets that contained extreme departures from Generally Accepted Auditing Standards.</p> <p>Respondent failed to document that the audits were properly planned, that he obtained a sufficient understanding of the internal control structure for one of the audits, and that sufficient competent evidential matter was obtained to confirm the existence of the company's principal asset, gold in storage.</p> <p>Respondent failed to obtain written representation from the client's lawyer regarding litigation, claims, and assessments. In addition, Respondent failed to disclose related party transactions in one of the audits and failed to exercise professional skepticism in the performance of the audits.</p> <p>Respondent failed to provide documentation to support his completion of the 80-hour CPE requirement for the license renewal period of May 1, 1997, through April 30, 1999.</p>	<p>Business and Professions Code, Division 3, Chapter 1, § 5100 (c) and (f), California Code of Regulations, Title 16, Division 1, §§ 58, 87, 88, and 89.</p>

(Please see Disciplinary Actions,
continued on page 18)

Other Board Actions 10/24/99 Through 12/30/99

Name	Cause for Board Action	Code Violation(s) Charged
MC GARRELL, ROY Glendora, CA (CPA 39143) Revocation stayed with three years' probation, via stipulated settlement. Effective December 30, 1999 Respondent will perform 40 hours of community service and reimburse the Board for its costs of investigation and prosecution. Other standard terms and conditions.	Respondent admits the truth of all charges contained in the Board's Accusation. Respondent admits that he knowingly prepared a client's 1993 personal income tax return in a false manner. At the request of the client, Respondent deducted automobile actual expenses while also deducting the IRS standard mileage rate for the same vehicle.	Business and Professions Code, Division 3, Chapter 1, § 5100 (c) and (i).

Disciplinary Terminology

Effective Decision Date

The date the disciplinary action goes into operation.

Probation

The licensee may continue to practice under specific terms and conditions.

Revocation or Revoked

The right to practice is ended.

Stayed

The revocation or suspension is postponed.

Suspension

The licensee is prohibited from practicing for a specified period of time.

Surrender of License

The licensee turns in the license while charges are still pending. The right to practice is ended. Surrender also may require certain conditions to be met should the practitioner ever choose to reapply for licensure.

ADDRESS CHANGE FORM

A separate change of address form must be submitted for each license type.

- ☐ Individual (CPA/PA) - Lic. No. _____ ☐ Partnership - Lic. No. _____
☐ Corporation - Lic. No. _____ ☐ Fictitious Name - Lic. No. _____

Please Print

Name of Licensee or Name of Firm

Last	First	Middle

Business Name

Address of Record

Be advised that your address of record is public information, and all Board correspondence will be sent to this address.

☐ Home ☐ Business (check one)

--

Business Name (if different from name above)

Street	Apt. or Suite #

City	State	Zip

Other Address

Complete this section only when the address of record is a mail drop or a Post Office Box.

☐ Home ☐ Business (check one)

Street	Apt. or Suite #

City	State	Zip

Phone Number/Date of Birth

Daytime Phone

-	-
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Area Code Date of Birth Mo. Day Year

I certify the truth and accuracy of all of these statements and representations.

Signature of Licensee,
Licensed Partner, or
Licensed Shareholder _____ Date _____

Print your name _____

A licensee who fails to notify the Board of Accountancy within 30 days of a change in his/her address of record may be subject to citation and fine (fines ranging from \$100-\$1000) under the California Code of Regulations, Title 16, Division 1, Sections 3 and 95.2.

The Board maintains a list of all licensees. This list is sold to requestors for mailing list purposes. Check here only if you do not want your name included on this list. ☐

Mail to: Board of Accountancy, 2000 Evergreen Street, Suite 250, Sacramento, CA 95815-3832

FAX to: (916) 263-3675

Board of Accountancy Directory

Board Office (916) 263-3680
 Board Office Facsimile (916) 263-3675
 License Status Check (916) 263-3680
 Certifications (916) 263-3949
 General Examination Questions (916) 263-3953 or 263-3958

Facsimile (916) 614-3253
examinfo@cba.ca.gov

Initial Licensing — Individual:

Last name begins with: A-He (916) 263-3946
 Hi-O (916) 263-3945
 P-Z (916) 263-3947

Facsimile (916) 263-3676
licensinginfo@cba.ca.gov

Initial Licensing — Partnerships, Corporations, Fictitious Names: (916) 263-3948

Facsimile (916) 263-3676

Renewal for CPA/PA, Partnerships, Corporations, Continuing Education:

Last name begins with: A-F (916) 263-3799
 G-M (916) 263-3798
 N-S (916) 263-3795
 T-Z (916) 263-3935

Facsimile (916) 263-3672
renewalinfo@cba.ca.gov

Web Site Address www.dca.ca.gov/cba

Web Page Master pagemaster@cba.ca.gov

If you have questions concerning the Ethics Exam, please call the California Society of CPAs:

<i>Main Office, Redwood City</i>	<i>(650) 802-2600</i>
<i>Glendale Office</i>	<i>(800) 922-5272</i>
<i>Sacramento Office</i>	<i>(916) 441-5351</i>

Department of Consumer Affairs
California Board of Accountancy
UPDATE Issue #44
 2000 Evergreen Street, Suite 250
 Sacramento, California 95815-3832
 (916) 263-3680
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